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| TITLE | POLICY NUMBER | |
| Audit Management Services | DCS 07-02 | |
| RESPONSIBLE AREA | EFFECTIVE DATE | REVISION |
| Office of Enterprise Risk Management | 10/14/16 | 0 |

I. POLICY STATEMENT

This policy identifies the standards, responsibilities, and authority of the Department of Child Safety (DCS) Audit Management Services (AMS).

External auditors shall arrange all initial contact with DCS via the AMS Manager. AMS reviews all external audit requests, contacts the affected Business Owners, Process Owners, and Functional Area Operators, facilitates two-way communication, and monitors the timeline during the audit.

II. APPLICABILITY

This policy applies to AMS staff and all Department programs and operations. Department staff must fully cooperate with the external auditors in the performance of their duties.

III. AUTHORITY

[A.R.S § 8-458](#) Inspections bureau; monitoring and evaluation; quality assurance process

[A.R.S § 8-465](#) Auditor general; department audit team; duties

IV. DEFINITIONS

AIC: Auditor in Charge is the coordinator/liaison between the external audit agency and the Department.

AMS: Audit Management Services is the central point of contact for all Department external audits, accountable for timely communication, follow-up, and status reporting.

Business Owners: Department leadership identified as the owner of the operation area during the audit or during the follow-up stage.

Department: The Department of Child Safety

Director: The Director of the Department of Child Safety

External Auditors: External audit agencies such as state auditors (e.g., Auditor General), Medicare auditors, federal auditors, and others who perform mandated or discretionary audits.

Execution: The coordination of tasks or activities necessary before and during an audit.

Functional Area Operators: Subject matter experts, end users, and workforce within the Department who are identified during the audit or during the follow-up stage as a consulted party.

Informed: The informed party includes the Department leadership identified during the audit or during the follow-up stage.

Interview: The formal one-on-one communication between a Department representative and the external audit agency.

Objective: The subject matter under review; defines the expected audit outcome, i.e. what the audit is expected to accomplish.

Process Owners: Unit leadership team, administrators, and managers identified during the audit or during the follow-up stage as the responsible party.

Scope: The boundary of the audit directly tied to the audit objectives; defines the subject matter that is the basis of the auditor's assessment and report.

Third Party Audits: Independent organizations such as registrars (certification bodies) or regulators who perform mandated or discretionary audits.

V. STANDARDS

- A. Maintain a project management comprehensive database of the Department's external audits to proactively manage and monitor the status of audit recommendations.
- B. Utilize external audit standardized templates and disseminate to Business Owners and Department management for critical communication and review throughout the audit life cycle.
- C. Assign an Auditor in Charge (AIC) for every external audit.
- D. Identify the Business Owners and inform them of a new external audit or status update within one (1) day of the request from an external auditor.
- E. Communicate any special requests or accommodations with the external auditor and primary Business Owners prior to commencement of the audit.
- F. Develop an audit work plan for each audit.
- G. Coordinate with the external auditor and primary Business Owners throughout the execution of the audit and ensure all external audits are conducted in accordance with generally accepted governmental auditing standards (see [Government Auditing Standards](#)).

- H. Review all recommendations of the final report and review the initial responses/status updates and supporting documentation prior to finalization.
- I. Ensure closure of all external audits occurs within the specified timeframes.
- J. Conduct post-audit analysis after closing the associated external audit.

VI. POLICY

A. Roles and Responsibilities

When an audit notification is received from an external audit agency, the following Department staff is involved:

1. Auditor in Charge: A team member from AMS will be assigned to coordinate the audit. The Auditor in Charge will:
 - a. Be fully informed concerning the status of the audit.
 - b. Monitor all external audit activity.
 - c. Identify appropriate Department staff to work with external auditors to facilitate cooperation in the performance of their duties and to avoid duplication of effort.
 - d. Coordinate requests for specific information or interviews with Department staff.
 - e. Review responses to requests and data prior to submission to the external audit agency.
 - f. Coordinate the distribution of all audit reports.
 - g. Monitor and report the implementation status of audit recommendations.
2. Business Owners: The appropriate Department leadership will be identified by AMS at the onset of the audit.

The Business Owner will be informed by AMS throughout the audit process and will be ultimately responsible for the identified actions and implementation.
3. Process Owners: The appropriate Department leadership team, administrator, or manager will be identified by AMS at the onset of the audit.

The Process Owner will be responsible for providing information and responding to audit requests for their functional area.
4. Functional Area Operators: The appropriate Department subject matter expert, end user, or workforce will be identified by AMS at the onset of the audit.

The Functional Area Operator will be consulted when responding to audit requests for information in their functional area.

5. All Department staff involved in the external audit shall:
 - a. Be courteous, cooperative, and professional when working with the external auditors.
 - b. Assist the external auditors with specific requests and answer questions asked by the auditors.
 - c. Provide information related to the scope of the audit. If there is uncertainty about the requested information, they will consult with AMS.
 - d. Notify AMS if an external auditor's work and/or request appears to be beyond the defined scope of the audit.

VII. PROCEDURES

A. AUDIT PROCESS

Although every audit is unique, the audit process is similar for most engagements and normally consists of the following phases:

1. Pre-Audit (if applicable)

AMS will coordinate and provide any special requests or accommodations related to the upcoming audit, as necessary.

- a. Access: Process requests for computer access; obtain pertinent records, data, etc., as appropriate.
- b. Workspace: Secure workspace that may be requested by the external audit agency.
- c. Special Requests/Needs: Coordinate and meet any special needs or requests identified by the external audit agency, as appropriate.

2. Notification

The AMS Manager will be contacted by the external audit agency of their intent to conduct an audit.

- a. Verification: Upon receipt of such a request, AMS will determine if the external auditor is authorized to conduct the audit after presenting their credentials. Prior to the commencement of the audit, AMS will verify or determine if:
 - i. Statute or law authorizes the audit.

- ii. A current contract, if applicable, is in place that authorizes the audit.
 - (a) Ensure data security and confidentiality language is in the contract.
 - (b) Ensure a Data Sharing Agreement is executed, if applicable. If verification is not determined, the external audit will not proceed. The external audit agency must meet the above criteria.
 - b. Written Notice: Responsible, accountable, consulted, and informed parties will receive written notification informing them of an upcoming audit, review, site visit, etc. The notice will include the scope of the audit, if available.
- 3. Planning

AMS develops a work plan, which may be revised during the audit based on the need that outlines the necessary steps to meet the audit objectives and scope. AMS will review the notification letter (or engagement letter), the scope of the audit, sample selection methodology and test work steps. AMS coordinates with the external audit agency and Business Owners to determine resolution for any identified concerns.

AMS will review the scope methodology and selected samples. If there are any questions or concerns, AMS will discuss with the external audit agency.
- 4. Entrance Conference

The entrance conference is the opening meeting convened to discuss the scope of the audit, available resources and other concerns. The participants include the external audit agency, AMS staff, the respective Business Owners, Process Owners, and Functional Area Operators. AMS will ensure full communication of audit scope, objectives, schedule, and protocol.

 - a. Scheduling: AMS will coordinate and schedule the Entrance Conference meeting.
 - b. Follow-up: AMS will follow-up with the external audit agency if there are any modifications to the scope identified at the Entrance Conference.
- 5. Execution

AMS identifies the required fieldwork that may include, but is not limited to, interviews, process observation, and review of procedure manuals or supporting documentation, business processes and testing.

 - a. Request for Information:

AMS will be contacted by the external audit agency for any request for information related to the audit. AMS will review the request to determine if it is a reasonable request within the scope of the audit. If the request is unreasonable, AMS will discuss the request with the external audit agency. AMS will provide written notification to the identified Business Owner, Process Owners, and/or Functional Area Operators of such a request for information.

- i. Timeframes: A timeframe of forty-eight (48) business hours will be assigned to each request. If an extension is necessary, the Business Owners, Process Owners, and/or Functional Area Operators will provide written notification to AMS within twenty-four (24) business hours. AMS will coordinate a request for an extension with the external auditing agency and provide written notification to the Business Owners, Process Owners, and/or Functional Area Operators of any extensions.
- ii. Identifying/Private Information: Ensure identifying client information, attorney-client privileged information, etc., unless identified in the scope, is not included in any document provided to the external audit agency. Any identifying information not identified in the scope of the audit will be redacted.
- iii. Submission of Information: AMS will receive the requested information from the Business Owner, Process Owners, and/or Functional Area Operators. Before submitting the information to the external audit agency, AMS will ensure the information received from the Business Owner, Process Owners, and/or Functional Area Operators includes all the information requested by the external audit agency.

If there is incomplete or missing information, AMS will contact the Business Owners, Process Owners, and/or Functional Area Operators for the information. AMS will then submit the information to the external audit agency within the agreed upon timeframe. AMS will submit any identifying information to the external audit agency through the secure email server.

- b. Interviews: AMS will be contacted by the external audit agency for any interview requests. AMS will contact the appropriate parties and coordinate the time, location and duration of the interview.
 - i. Timeframes: Interviews will be scheduled and occur within the defined timeframe provided by the external audit agency.
 - ii. Parameters: The interviewee must answer the questions and provide information related to the scope of the audit. If there is uncertainty about the requested information, consult with AMS.

- c. Test Work: AMS will verify that the selected sample is defined in the scope of the audit unless the sample was validated during the planning or entrance conference phase.
 - i. Timeframes: AMS will provide the records identified in the sample to the external audit agency within the defined timeframes.

6. Exit Conference (if applicable)

AMS, Business Owners, Process Owners, and/or Functional Area Operators and the external audit agency will review and discuss the draft report (if available), provide feedback on implementing recommendations, discuss any other issues related to the audit, and comment on the audit process.

- a. Findings and Recommendations: The external audit agency will verbally present their findings and recommendations.
- b. Clarification: If further clarifications, questions or concerns are identified, AMS will request corrections or revisions to the findings or recommendations.
- c. Timeframe: AMS will ensure a reasonable timeframe is identified for the receipt and Department response of the draft report.

7. Draft Report

After all fieldwork is completed, the external audit agency prepares a report that documents objectives, procedures, conclusions, and recommendations.

- a. Initial draft: AMS will collaborate with the Business Owners, Process Owners, and/or Functional Area Operators to review the draft report and provide feedback. The AMS *Feedback Form* will be utilized to provide feedback. At the agreed upon deadline, AMS requires the Business Owners, Process Owners, and/or Functional Area Operators to incorporate all updates into one final draft document. The Business Owners, Process Owners, and/or Functional Area Operators will submit the feedback form to the Auditor in Charge and the Audit Manager. AMS reviews and finalizes all Department responses to the draft report prior to submission to the external audit agency.
 - i. Revisions: The external audit agency may revise the recommendations based on the Department's feedback.
 - ii. Timeframe: AMS will ensure the timely submission of the feedback to the external audit agency. ****NOTE: Any feedback provided by the Business Owners, Process Owners, and/or Functional Area Operators beyond the deadline may not be incorporated in the Department final response.*

- b. Preliminary Draft: AMS will coordinate with Department Leadership to review, provide feedback, and obtain the Director's signature of the response letter.
 - i. Management Response: AMS will request the official Department response to all recommendations. The response consists of five components: whether the Department agrees or disagrees with each recommendation, the action plan to implement the finding/recommendation, the identification of the responsible parties, the expected completion date, and any supporting documents. ***NOTE: *If the external audit agency requires a specific format for the response, that format must be utilized.*
 - ii. Submitting the Response: AMS will obtain the Director's signature for the Department's Response Letter and submit the Response Letter to the external audit agency within the specified timeframe.
 - iii. Timeframes: When establishing the deadline to be provided to Department Leadership, AMS will take into consideration the deadline received from the external audit agency for the response letter to be submitted and the timeframe needed to obtain the Director's signature.

8. Final Audit Report

AMS coordinates the receipt and distribution of the external auditor's final report.

- a. Report distribution: AMS will email the final audit report to the following parties within twenty four (24) hours of receipt:
 - i. Business Owner
 - ii. Process Owners
 - iii. Functional Area Operators
 - iv. Director
 - v. Deputy Director
 - vi. Chief Enterprise Risk Management Officer

B. AUDIT FILE, DATABASE AND TRACKING

1. Audit File

- a. Electronic Audit File: An electronic project folder will be created for each audit and will be stored in the Enterprise Risk Management Drive in the Local Area Network (LAN).
 - i. All information (hard copy and electronic) correspondence will be placed in the appropriate folder (refer to Section D for File Retention Schedule).
- b. Hard Copy File: A hard copy file will be created to include the following:
 - i. Final audit report and Department response.
 - ii. The follow-up responses including all supporting documentation and action plans.

2. Database

- a. Recommendations: From the final audit report, the following will be entered into the AMS database:
 - i. Each recommendation.
 - ii. Response to each recommendation (i.e. agree, disagree, etc.).
 - iii. Status of each recommendation (i.e. in progress, implemented, not implemented, etc.).
 - iv. The follow-up (i.e. in progress, implemented, not implemented, etc.).
 - v. Status of each follow-up item (e.g. in progress, implemented, not implemented, etc.).

3. Reporting

AMS will provide a summary report of all outstanding recommendations and status to the Chief Enterprise Risk Management Officer, Deputy Director, Director, or any other approved party, as requested.

C. RECOMMENDATION FOLLOW-UP

Every effort should be made to ensure progress towards the full implementation of the recommendations. AMS will follow-up within six (6) months of the issue date of the report and every six (6) months thereafter, until the audit is closed.

- 1. Follow-up: AMS will coordinate a follow-up to check on the status of the recommendations and provide an update to the external audit agency, as requested.

- a. Six (6) Month Update: AMS will request an update on the progress of the recommendation every six (6) months, regardless of whether or not an official follow-up has been requested from the external audit agency or until the recommendation has been implemented.
- b. Audit Response Form: The *AMS Audit Response Update Form* will be emailed to the Business Owners, Process Owners, and/or Functional Area Operators four (4) weeks prior to each six (6) month period to complete and return to AMS. The update will include all action plans and supporting documentation which will be due to AMS within *10 business days*.
- c. Review: AMS will review the received update, action plans and supporting documentation to ensure all the recommendations are addressed.
 - i. Additional Information: If further clarification or additional information is requested, AMS will contact the Business Owners, Process Owners, and/or Functional Area Operators to provide the information.
 - ii. Timeframe: A timeframe of forty-eight business hours (48) will be assigned to each request.
- d. Submission of Update: AMS will submit the Department's update as requested by the external audit agency.
 - i. Format: The update and supporting documentation will be provided to the external audit agency in their specified format. If no format is identified, AMS will provide an update in the Audit Response Template.
 - ii. Letter: AMS will ensure a signed letter, as applicable, from the Department is provided along with the update and supporting documentation.
- e. Request for Clarification: The external audit agency may request additional clarification or information after the receipt of the update, up until the time that the external audit agency publishes the update.

D. AUDIT CLOSURE AND FILE RETENTION

Audit documents are archived and stored as directed in the Arizona State Library, Archives and Public Records, [Schedule Number 000-12-64](#). Project folders are stored electronically and archived when a project has been completed (i.e. all follow-up is 100% completed and external audit agency is no longer following the status of the recommendations). Project records are retained for seven (7) years after fiscal year audit report is completed.

E. POST AUDIT ANALYSIS

All external audit recommendations will be reviewed and analyzed by AMS. Department trends and risks will be identified and elevated to Department leadership.

F. RESTRICTIONS

AMS has no authority to make decisions, to direct Department staff to take action, or to implement recommendations. The primary focus of AMS is to provide external audit structure and partner with the appropriate Business Owner, Process Owner, Functional Area Operator, and Department Leadership team throughout the audit cycle. The primary responsibility of audit outcomes, deliverables, and implementation remains with the Business Owner.

VIII. FORMS INDEX

[*Audit Management Services Feedback Form \(DCS-1217A\)*](#)

[*Audit Management Services Response Update Form \(DCS-1218A\)*](#)